



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

November 19, 2001

The Honorable John M. Engler, Governor of Michigan  
The Honorable Dan L. DeGrow, Senate Majority Leader  
The Honorable Rick V. Johnson, Speaker of the House  
The Honorable John D. Cherry, Jr., Senate Minority Leader  
The Honorable Kwame M. Kilpatrick, House Minority Leader  
and  
Members of the 91<sup>st</sup> Legislature

Ladies and Gentlemen:

This annual report on the operations of the Michigan Office of the Auditor General covers the fiscal year ended September 30, 2001 and is submitted in accordance with Article IV, Section 53 of the State Constitution.

Our annual reports for fiscal years ending with odd numbers are submitted in an abbreviated format as letter reports, which is the format for this report. Annual reports for fiscal years ending with even numbers are submitted in our traditional format and contain information about our office and the audit reports completed during the fiscal year. Copies of this letter report and of our annual report for the fiscal year ended September 30, 2000 can be found on our Internet web site. Our web site also includes copies of our audit reports.

The Office of the Auditor General has the responsibility, as stated in Article IV, Section 53 of the State Constitution, to conduct post financial and performance audits of State government operations. In addition, certain sections of the *Michigan Compiled Laws* contain specific audit requirements in conformance with the constitutional mandate. To fulfill our requirements and to continually meet our customer needs, we are committed to improving the quality of our audit services and reports.

The core strength of our office continues to be the quality of our staff. Despite strong competition from the private sector, retirements, and increased demand for trained professionals throughout State government, we have been successful in employing and retaining highly motivated, skilled, and dedicated staff. The Office of the Auditor General is committed to providing the Legislature and other interested parties with accurate and reliable information, and the key factors in our ability to achieve this commitment are the competency and professionalism of our staff.

Sincerely,

Thomas H. McTavish, C.P.A.  
Auditor General

## **Office of the Auditor General Reports and Other Information**

An audit report and its supporting evidence are considered confidential until the report's official release to the Legislature, the general public, and the press. Once a report has been released, it is public information and, as such, is available upon request.

Reports or information about our office can be obtained as follows:

- **By written request** directed to:

Office of the Auditor General  
Victor Center, Sixth Floor  
201 N. Washington Square  
Lansing, Michigan 48913

- **By telephone** at (517) 334-8050
- **By FAX** at (517) 334-8079 (please include your name, address, and the specific reports or other desired information in your request)
- **On the Internet** at *[www.state.mi.us/audgen](http://www.state.mi.us/audgen)*

## AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED DURING FISCAL YEAR 2000-01

- \* Special report.
- \*\* Letter report.
- R Audit required by law.
- N/A Not applicable.

Project Number	Report Name	Project Type	Recommendations	
			New	Repeated
AGRICULTURE, DEPARTMENT OF				
79-100-01	Department of Agriculture - R	Single	4	2
79-305-00	Michigan State Fair and Exposition Center - R <i>The Department is responsible for conducting an annual Michigan State Fair and other exhibits or events to promote all phases of the economy of the State.</i>	Performance and Financial	4	0
79-605-00L	* Distribution and Use of Horse Racing “Breaks” <i>There are seven active race tracks in the State. They use horse racing “breaks” to pay the local units of government for police, fire, and traffic protection services.</i>	Review	N/A	N/A
ATTORNEY GENERAL, DEPARTMENT OF				
11-100-01	Department of Attorney General - R	Single	0	0
CAREER DEVELOPMENT, MICHIGAN DEPARTMENT OF				
45-100-01	Michigan Department of Career Development - R	Single	5	1
45-500-01	Selected Community Colleges’ Reporting of Activities Classification Structure Data - R <i>Community colleges annually report certain information to the Department, which is used to determine their State aid.</i>	Performance	7	0
CIVIL RIGHTS, DEPARTMENT OF				
15-100-01	Department of Civil Rights - R	Single	0	0
CIVIL SERVICE, DEPARTMENT OF				
19-120-00	Bureau of Technical Review and Employee Relations <i>The Bureau includes the Office of Compliance; Personal Services Review; Hearings, Employee Relations, and Mediation; and the Office of Technical Appeals.</i>	Performance	8	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2000-01

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
19-130-99	Performance Pay Programs <i>The Civil Service Commission and the Department perform Statewide oversight and approval functions for the programs.</i>	Performance	5	0
<b>COMMUNITY COLLEGES</b>				
32-280-00	Montcalm Community College - R <i>The College is a public two-year institution of higher education.</i>	Performance	10	0
32-370-00	Wayne County Community College District - R <i>The College is a public two-year institution of higher education.</i>	Performance	13	0
32-380-00	West Shore Community College - R <i>The College is a public two-year institution of higher education.</i>	Performance	8	0
32-616-99	Impact of Tax Increment Financing and Tax Abatements on Michigan Community Colleges <i>The Department of Treasury annually collected or estimated and compiled data on tax revenue losses of community colleges resulting from tax increment financing authorities and tax abatements.</i>	Performance	3	0
<b>COMMUNITY HEALTH, DEPARTMENT OF</b>				
39-100-99	Department of Community Health - R	Single	13	1
39-402-00	Allegan County Community Mental Health Services, an Agency Under Contract With the Department of Community Health <i>The Agency provides a range of mental health services to residents of Allegan County.</i>	Performance	6	0
39-462-99	Macomb County Community Mental Health Services Board, an Agency Under Contract With the Department of Community Health <i>The Agency provides a range of mental health services to residents of Macomb County.</i>	Performance	8	0
39-489-00	West Michigan Community Mental Health System, an Agency Under Contract With the Department of Community Health <i>The Agency provides a range of mental health services to residents of Lake, Mason, and Oceana Counties.</i>	Performance	5	0
39-498-00	Sanilac County Community Mental Health Authority, an Agency Under Contract With the Department of Community Health <i>The Agency provides a range of mental health services to residents of Sanilac County.</i>	Performance	3	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2000-01

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
39-642-99	Division of Immunization, Community Public Health <i>The Division's mission is to increase the number of infants that are fully immunized and to increase immunization rates for all age groups.</i>	Performance	1	0
<b>CONSUMER AND INDUSTRY SERVICES, DEPARTMENT OF</b>				
63-100-00	Department of Consumer and Industry Services - R	Single	3	0
63-201-99	Multifamily Programs of the Michigan State Housing Development Authority <i>The Authority provides financial and technical assistance to create and preserve decent, affordable housing for Michigan residents with low and very low incomes.</i>	Performance	9	0
63-315-00	Unemployment Agency <i>The primary activity of the Agency is the payment of unemployment benefits and the collection of unemployment taxes.</i>	Performance	5	0
63-420-00	Homeowner Construction Lien Recovery Fund <i>The Fund was established to protect homeowners from lien claims for residential construction and remodeling and to protect persons providing real property improvements.</i>	Performance and Financial	0	0
63-451-99	Regulation of Nursing Homes, Adult Foster Care Homes, and Homes for the Aged <i>The Department is responsible for the licensing and regulation of nursing homes, adult foster care homes, and homes for the aged.</i>	Performance	19	1
63-460-00	Bureau of Construction Codes <i>The Bureau administers laws governing the construction of buildings, including electrical, plumbing, and mechanical laws; barrier-free designs; building officials' and inspectors' registration; boiler installation and operation; and elevator safety.</i>	Performance and Financial	4	3
<b>CORRECTIONS, DEPARTMENT OF</b>				
47-100-00	Department of Corrections - R	Single	7	2
47-205-99	Marquette Branch Prison and Camp Ottawa <i>The Prison, located in Marquette County, houses minimum and maximum security male prisoners. The Camp, located in Iron County, houses minimum security male prisoners.</i>	Performance	9	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2000-01

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
47-207-00	Baraga Maximum Correctional Facility and Camp Kitwen <i>The Facility, located in Baraga County, houses minimum and maximum security male prisoners. The Camp, located in Houghton County, houses minimum security male prisoners.</i>	Performance	8	0
47-234-00	Saginaw Correctional Facility <i>The Facility, located in Saginaw County, houses minimum, medium, and close security male prisoners.</i>	Performance	4	0
47-265-99	Western Wayne Correctional Facility and Camp Brighton <i>The Facility, located in Wayne County, houses medium security male prisoners. The Camp, located in Livingston County, houses minimum security male prisoners.</i>	Performance	10	0
47-300-00L	* Payments to United Correctional Managed Care, Inc. <i>The Department entered into a contract with United Correctional Managed Care, Inc., to provide a Statewide managed care system for off-site specialty services.</i>	Review	N/A	N/A
47-614-98	Employee Discipline and Grievance Programs <i>The programs are implemented by Department employees based on rules established by the Civil Service Commission.</i>	Performance	2	0
<b>EDUCATION, DEPARTMENT OF</b>				
31-100-00	Department of Education - R	Single	6	4
31-200-99	Michigan Educational Assessment Program <i>The Program is a Statewide testing program to develop the best possible assessments of student academic knowledge and skills.</i>	Performance	10	0
31-214-97F	* Follow-Up Review of the Motorcycle Safety Education Program and the Motorcycle Safety Fund <i>The mission of the Program is to improve motorcycling safety by establishing motorcycle safety courses throughout the State.</i>	Performance and Financial	N/A	N/A
31-594-00	Technology Services and the Automated Information Systems <i>The mission of Technology Services is to improve the quality, accessibility, and use of electronic information for government agencies, schools, and the Michigan education community.</i>	Performance	13	2

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2000-01

<u>Project Number</u>	<u>Report Title</u>	<u>Project Type</u>	<u>Recommendations</u> <u>New</u> <u>Repeated</u>	
ENVIRONMENTAL QUALITY, DEPARTMENT OF				
76-100-00	Department of Environmental Quality - R	Single	4	4
76-120-99	Public Drinking Water Supply Program <i>The Program includes oversight of community and non-commu- nity drinking water supply systems, certification of drinking water testing laboratories, and training and certification of persons who operate drinking water supply systems in the State.</i>	Performance	11	0
76-125-00	Radiological Protection and Environmental Health Programs <i>The programs are organized to reduce exposure to environmen- tal hazards, including protecting patients, employees, and the public from unnecessary exposure to ionizing radiation.</i>	Performance	4	0
76-153-96F	* Follow-Up Review of the Land and Water Management Division <i>The Division administers State and federal programs that regulate activities at the land/water interface to minimize environmental disruption and protect the public health and safety.</i>	Performance	N/A	N/A
76-600-00L	* Sewage Issues <i>The Department works with municipalities to achieve compliance with State and federal laws and regulations related to avoiding sewer overflows.</i>	Performance	3	0
FAMILY INDEPENDENCE AGENCY				
43-100-99	Family Independence Agency - R	Single	12	4
43-100-01	Family Independence Agency - R	Single	13	9
43-101-99F	* Follow-Up Review of the Child Support Accrual Methodology <i>Recipients of public assistance must assign their rights to current, delinquent, and future child support to the State as a condition of eligibility.</i>	Financial	N/A	N/A
43-122-99	Office of Inspector General and Related Complaint Referral and Disposition Processes <i>The mission of the Office is to conduct criminal and administra- tive investigations to ensure accountability and the efficient use of the Department's funds.</i>	Performance	7	1
43-284-96F	* Follow-Up Review of the Children's Protective Services Program <i>The mission of the Program is to protect children who are at risk of child abuse and/or child neglect.</i>	Performance	N/A	N/A

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2000-01

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
43-591-98F	* Follow-Up Review of Information Technology Management Services <i>The mission of Information Technology Management Services is to provide reliable, efficient, timely, and cost-effective services to support the Department's mission.</i>	Performance and Financial	N/A	N/A
<b>JUDICIAL</b>				
05-150-01	State-Funded Judicial Operations - R	Single	1	0
<b>LEGISLATURE</b>				
03-118-01	Library of Michigan - R	Single	1	0
<u>Detroit Metropolitan Wayne County Airport Reviews</u> During fiscal year 2000-01, 13 special review reports on the Airport were prepared at the request of a select legislative committee. In the prior fiscal year, 7 preliminary review reports on the Airport were also prepared at the request of a joint legislative committee. All 20 of these review reports are available on our web site.				
27-616-00L	*Land Acquisition, Disposal, and Development	Review	N/A	N/A
27-617-00L	*Security	Review	N/A	N/A
27-618-00L	*Maintenance	Review	N/A	N/A
27-619-00L	*Airport Management Qualifications, Responsibilities, and Compensation	Review	N/A	N/A
27-620-00L	*Competitive Bidding of Contracts - Employee Parking Lot Expansion Contract	Review	N/A	N/A
27-621-00L	*Competitive Bidding of Contracts - Committee Observations	Review	N/A	N/A
27-622-00L	*Competitive Bidding of Contracts - Concession Market Studies	Review	N/A	N/A
27-623-00L	*Contractors - Contract for Professional, Architectural/Engineering, and Design Services for the Existing Terminal Complex Renovation	Review	N/A	N/A
27-624-00L	*Competitive Bidding of Contracts - Rubbish Disposal Contracts	Review	N/A	N/A
27-625-00L	*Competitive Bidding of Contracts - Airfield Lighting and Signage Contract	Review	N/A	N/A
27-626-00L	*Competitive Bidding of Contracts - Runway Concrete Replacement Contract	Review	N/A	N/A
27-627-00L	*Competitive Bidding of Contracts - South Access Road Contract With the Michigan Department of Transportation	Review	N/A	N/A
27-628-00L	*Competitive Bidding of Contracts - Land Acquisition Assistance Contract	Review	N/A	N/A



AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
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Project Number	Report Title	Project Type	Recommendations New	Repeated
MANAGEMENT AND BUDGET, DEPARTMENT OF				
07-100-01	Department of Management and Budget - R	Single	0	0
07-010-00	*State of Michigan Comprehensive Annual Financial Report (SOMCAFR) - Principal (Fiscal Year 1998-1999) - R	Financial	6	1
07-011-01	** SOMCAFR - Central Staff (Fiscal Year 1999-2000)	Financial	N/A	N/A
07-012-01	** SOMCAFR - Field Staff (Fiscal Year 1999-2000)	Financial	N/A	N/A
07-030-01	**Review of Constitutional Revenue Cap (Fiscal Year 1999-2000) - R	Financial	N/A	N/A
07-031-01	**Review of Section 30 Expenditure Limitation Report (Fiscal Year 1999-2000) - R	Financial	N/A	N/A
07-142-00	Office of Purchasing <i>The Office provides for the procurement of supplies, materials, services, equipment, and printing needed by State agencies.</i>	Performance	10	1
07-400-01	Michigan Strategic Fund - R	Single	2	0
07-402-01	Michigan Economic Development Corporation - R	Single	1	0
07-599-00	Data Collection and Distribution System, Michigan Administrative Information System <i>The Data Collection and Distribution System allows State employees to record time and attendance data, labor cost distribution, inventory and equipment usage, and activities.</i>	Performance	5	0
07-629-01	* Use of Transportation-Related Funding - R <i>Funding was provided to the Departments of State, Treasury, Management and Budget, State Police, Attorney General, Civil Service, Environmental Quality, and Natural Resources and the Office of the Auditor General.</i>	Financial	0	3
MILITARY AND VETERANS AFFAIRS, DEPARTMENT OF				
51-590-00	Automated Information Systems <i>The systems provide computer services to the Department. This includes administration and maintenance of State and federal networks.</i>	Performance	6	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2000-01

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
51-602-00L	Use of State Grant Funds by Veterans Service Organizations, Veterans Affairs Directorate <i>Veterans service organizations provide assistance to veterans (including their surviving spouses and dependents) in obtaining entitlement benefits.</i>	Performance	6	0
<b>NATURAL RESOURCES, DEPARTMENT OF</b>				
75-100-00	Department of Natural Resources - R	Single	7	2
75-116-01	Law Enforcement Division <i>The Division enforces outdoor recreational, natural resource, and environmental laws. The Division administers hunter, marine, and safety education programs and the Report All Poaching Program.</i>	Performance	2	0
75-148-00	* Cadillac Local Development Finance Authority <i>Act 281, P.A. 1986, as amended, provides that a local develop- ment finance authority could finance a public facility designed to reduce, eliminate, or prevent the spread of identified soil and groundwater contamination.</i>	Performance	N/A	N/A
75-606-99	* Costs and Staffing Levels Before and After the Split of the Departments of Natural Resources and Environmental Quality <i>Executive Order No. 1995-18 split the Department of Natural Resources and created the Department of Environmental Quality.</i>	Review	N/A	N/A
75-608-00	* *Air Operations	Performance	N/A	N/A
75-700-97F	* Follow-Up Review of Oil and Natural Gas Production Reporting <i>Information on the production of oil and natural gas in Michigan is reported to four State departments: Natural Resources, Treasury, Environmental Quality, and Consumer and Industry Services.</i>	Performance	N/A	N/A
<b>STATE, DEPARTMENT OF</b>				
23-100-01	Department of State - R	Single	0	0
23-233-00	Bureau of Legal Services <i>The Bureau provides legal research and counsel to the Secre- tary of State and due process services to State residents. This includes working with the Department of Attorney General.</i>	Performance	5	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2000-01

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
23-260-99	Office of Human Resources <i>The Office's functions include recruitment, appointment, contract administration, training, payroll, disability management, and other traditional programs.</i>	Performance	5	0
<b>STATE POLICE, MICHIGAN DEPARTMENT OF</b>				
55-100-00	Michigan Department of State Police - R	Single	7	1
55-144-00	Motor Carrier Division <i>The Division provides the public with a safe motoring environment and protects the highway infrastructure by promoting compliance with commercial vehicle laws through education and enforcement.</i>	Performance	4	0
55-145-00	Communications Division <i>The Division is responsible for all of the Department's radio and telecommunication services and the implementation and administration of Michigan's Public Safety Communications System.</i>	Performance	4	0
<b>TRANSPORTATION, MICHIGAN DEPARTMENT OF</b>				
59-100-01	Michigan Department of Transportation - R	Single	2	0
59-135-00	Economic Development Fund <i>The mission of the Fund is to fund transportation improvements that enhance the ability of the State to compete in an international economy, that serve as a catalyst for economic growth of the State, and that improve the quality of life in the State.</i>	Performance	7	0
<b>TREASURY, DEPARTMENT OF</b>				
27-100-00	Department of Treasury - R	Single	2	1
27-145-00	Revenue Administrative Services Division <i>The Division provided support services to the Bureau of Revenue and to the public. It has recently been reorganized as Revenue Administration.</i>	Performance	3	0
27-252-01M	* State Treasurer's Annual Report - R <i>The State Treasurer is responsible for investing, managing, accounting for, and safekeeping assets of several retirement systems, various trust funds, and the State's Common Cash Pool.</i>	Financial	1	0
27-252-01O	**State Treasurer's Annual Report - R	Financial	N/A	N/A

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED  
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<u>Project Number</u>	<u>Report Title</u>	<u>Project Type</u>	<u>Recommendations</u>	
			<u>New</u>	<u>Repeated</u>
27-605-00	Federal Cash Management Improvement Act Program <i>The Act is designed to ensure fairness between the federal government and the states with regard to use of federal and state funds for federally mandated programs.</i>	Performance	0	0
27-700-99	Statewide Cash Flow and Short-Term Borrowing <i>The State Treasurer manages the State's cash flow through the Common Cash Pool, which pools the combined cash balances of State money.</i>	Performance	2	0
<b>UNIVERSITIES</b>				
33-140-00	Lake Superior State University <i>The University is primarily an undergraduate instructional institution that offers a master's degree, bachelor's degrees, associate's degrees, and certificate programs.</i>	Performance	7	1
33-300-01	Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data - R <i>The Legislature established HEIDI to capture enrollment and other data regarding State universities.</i>	Performance	3	1
			365	45